

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Union State Bank** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 7, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S RATING: This institution is rated Satisfactory.

The bank encourages economic development and revitalization consistent with its size, financial capability, location, and current economic conditions. The bank has an adequate loan-to-deposit ratio, and lending within the assessment area exceeds the standards for satisfactory performance. Evaluation of the bank's distribution of loans demonstrates a satisfactory level of lending to borrowers of different income levels and businesses of different sizes. No CRA-related complaints were received by the bank.

The following table indicates the performance level of **Union State Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	UNION STATE BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans	There are no low-or moderate-income census tracts or BNAs in the assessment area.		
Response to Complaints	No CRA-related complains were received.		

DESCRIPTION OF INSTITUTION

Union State Bank, (USB) with \$29,197 million in total assets as of June 30, 1996, is a subsidiary of Union-Calhoun Investments LTD., a one-bank holding company. The bank's only office is located in Rockwell City, Iowa. USB is a retail community bank offering traditional financial services including commercial, consumer, real estate and farm credit products. The consumer loan products consist of both secured and unsecured installment, conventional real estate, and credit card loans. Commercial and farm credit products include operating lines of credit, real estate, and equipment loans. The bank sells its student loans and real estate mortgages on the secondary market, and participates in various government-insured loan programs. The bank's primary competitor is the Alliance Bank (\$22,538 million in assets) located in Rockwell City, Iowa.

DESCRIPTION OF BANK'S ASSESSMENT AREA

Union State Bank has defined its assessment area as Block Numbering Areas (BNAs) 9501 through 9504 which encompasses the entire County of Calhoun.

According to the 1990 census, the total population in the bank's assessment area is 11,508. Demographically Whites constituted 11,396 or 99%, and minorities total 112 or 1% of the total population within the assessment area.

According to the 1990 Census Bureau data, the adjusted median family income of the assessment area is \$27,911. The total number of families in the assessment area is 1,042. A total of 187 families or 17.9% are low income (less than 50% of the median income); 222 or 21.3% are moderate income (50-79% of median income); 333 or 32% are middle income (80 - 120% of median income); and 300 or 28.8% are upper income households (121% or more of median income). There were no low-and moderate-income or minority BNAs within the bank's assessment area. Calhoun County is a rural area.

The total number of housing units in the assessment area is 5,362 with 3,358 or 62.6% owner-occupied and 1,326 or 24.7% renter-occupied. The median age of the housing stock is 52 years. The following chart illustrates the major employers in the bank's assessment area.

EMPLOYER - LOCATION	NUMBER OF EMPLOYEES	TYPE OF BUSINESS OR INDUSTRY
Farmers Co-op Co.	140	Feed, Fertilizer, Grain & petroleum Products
Northwest Bodies, Inc.	70	Fiberglass Truck bodies, toppers & straddle boxes
Bowie MFG., Inc.	40	Fiberglass products, X-ray equipment, air bumpers
Nutrius INC.	25	Medicated feed additives. Trace mineral & vitamin premixes
Dobson Pipe Organ Builders, LTD	19	Pipe organs & parts
Air-electric Machine Co., INC.	19	Ornamental windmills
Manson Industries, INC.	18	Microwave popcorn processing
The Dalton Press, INC.,	13	Calendar printing and binding
New Co-op, INC.	12	Feed & fertilizer processing
Calhoun County Reminder	12	Newspaper & commercial printing
E-Z Products Co	10	Rat & mouse bait

Unemployment information obtained from the Iowa Department of Labor for the month of September 1996, indicate that Calhoun County's unemployment rate was 3.0%, compared to the State of Iowa at 3.1% and the national unemployment rate at 5.2%.

The community contacts indicated that the area's current economic condition is good due to above average crop yields. The contacts also indicated that Union State Bank is an active lender within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No practices were noted that would discourage applications from the types of credit products offered by the bank.

Loan-to-Deposit Ratio

An analysis of the bank's Consolidated Reports of Condition for the seven quarters in the review period disclosed an average loan-to-deposit ratio of 56.44%. This ratio is considered adequate given the institution's size, financial condition and assessment area credit needs.

According to a review of the June 30, 1996 Uniform Bank Performance Report (UBPR) data, Union State Bank's loan-to-deposit ratio is below the peer group by 17%. The bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	1.26	0.76
1 - 4 Family Residential	12.72	22.00
Home Equity	0.00	0.00
Other Real Estate	23.51	19.89
Farmland	20.31	9.42
Multi-family	0.19	0.14
Commercial	3.01	7.28
TOTAL REAL ESTATE LOANS	37.49	45.43
LOANS TO INDIVIDUALS	18.78	14.34
CREDIT CARD LOANS	0.00	0.05
COMMERCIAL & INDUSTRIAL LOANS	12.35	13.52
AGRICULTURAL LOANS	31.38	18.94
MUNICIPAL LOANS	0.00	0.22
OTHER LOANS*	0.00	0.15
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

A review of the bank's June 30, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 53.87%. Although total loans increased by \$411,000 or 3% between June 30, 1995 and June 30, 1996, the loan-to-deposit ratio decreased from 56.94% to 53.89%.

Lending in Assessment Area

An analysis of the examination loan sample revealed the following distribution within the bank's assessment area.

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Single Payment	10	10	100%
Credit Cards	10	10	100%
Direct Installment	20	19	95%
Agricultural	48	45	94%
Real Estate	14	13	93%

Total	102	97	95%
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As the preceding chart illustrates, 95% of the loans were within the assessment area. All credit card (10), single-payment (10) and 13 of 14 real estate, 19 of 20 installment and 45 of 48 agricultural loans were within the assessment area. Sixty-seven percent of loans within the assessment area were made in Rockwell City, this is consistent with the fact that the bank's only office is located in Rockwell City. The level of lending exceeds the standards for satisfactory performance.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Income information was not available for all borrowers in the loan sample. The following chart illustrates the distribution of the lending to those borrowers for whom income information was available.

LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE- INCOME \$000's/Number	MIDDLE-INCOME \$000's/Number	UPPER-INCOME \$000's/Number
Credit Cards	\$1,000/2	\$750/1	\$0/0	\$5,000/1
Real Estate	\$0/0	\$13,600/1	\$53,900/2	\$407,020/11
Total Originations	\$1,000/2	\$14,350/2	\$53,900/2	\$412,020/12

Because the bank does not typically collect income information from applicants, the loan size was used to determine the bank's performance in lending to borrowers of different income levels.

The loan sizes indicate that the bank is making loans to borrowers of different income levels. Five of the 20 installment loans reviewed were less than \$1,000 with three of the five for amounts of \$500 or less. The single-payment and credit card loan sample also included several loans in amounts of less than \$1,000. However, the majority of sampled real estate loans were to upper income applicants. This is consistent with the nature of the community, with median incomes of \$13,450 and \$22,000 for low and moderate-income individuals, respectively; these individuals may not qualify for real estate loans.

The bank is a participant in several government guaranteed, funded or insured loan programs. As of September, 1996 the bank's participation in the guaranteed student loan program had 181 student loans outstanding totaling \$676,075 .

The bank also participates in the FmHA program. The program allows the bank to make loans using flexible underwriting standards to low-or moderate-income families for the acquisition of housing in rural areas throughout the State of Iowa. As of September, 1996 the bank had 17 FmHA loans outstanding totaling \$1,034,327.

The sample of the bank's commercial and agricultural lending activity indicated that the majority of the loans are to small businesses and small farms with annual revenues less than \$1,000,000. This lending activity is consistent with the types of businesses and small farms located in the bank's assessment area.

LOAN ORIGATION CATEGORY	NUMBER OF LOANS	DOLLAR AMOUNT OUTSTANDING	% OF TOTAL
SMALL BUSINESS / SMALL FARM LOANS			
\$100 OR LESS	1	\$3,000	0.74
\$101 TO \$250	19	\$93,939	23.32
\$251 TO \$500	13	\$246,019	61.06
\$501 TO \$1,000,000	7	\$59,953	14.88
TOTAL	40	\$402,911	100

The preceding chart illustrates that of the total number of small business and small farm loans 84.38% were of \$100,000 to \$500,000 range. The bank is lending to borrowers of different income and businesses of different sizes.

Geographic Distribution of Loans

There are no designated low-or-moderate-income census tracts or BNAs within the bank's assessment area; therefore, this criterion was not evaluated.

Response to Substantiated Complaints

There were no CRA-related complaints received.